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**Administrative and budgetary aspects of the financing
of the United Nations peacekeeping operations**

Budget of the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2011 to 30 June 2012

Report of the Independent Audit Advisory Committee

Summary

The present report contains the comments, advice and recommendations of the Independent Audit Advisory Committee on the budget of the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2011 to 30 June 2012.



I. Introduction

1. The Independent Audit Advisory Committee presents herein its comments, advice and recommendations to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, on the budget of the Office of Internal Oversight Services (OIOS) under the support account for peacekeeping operations for the period from 1 July 2011 to 30 June 2012. The report is submitted in accordance with paragraphs 2 (c) and (d) of the Committee's terms of reference (General Assembly resolution 61/275, annex).

2. The Committee has a responsibility to examine the workplan of OIOS, taking into account the workplans of the other oversight bodies, with the Under-Secretary-General for Internal Oversight Services and to advise the Assembly thereon, to review the budget proposal of the Office, taking into account its workplan, and to make recommendations to the Assembly through the Advisory Committee on Administrative and Budgetary Questions. The Committee undertook its review of the OIOS work-planning process and the budget for OIOS under the support account for peacekeeping operations for the period from 1 July 2011 to 30 June 2012 during its twelfth session, which was held on 15 and 16 December 2010.

3. The Committee appreciates the efforts of the Office of Programme Planning, Budget and Accounts and OIOS in providing it with the relevant documents for its consideration. OIOS also provided supplementary information in response to various questions from the Committee.

II. Background

4. The proposed budget of OIOS under the support account for peacekeeping operations for the period from 1 July 2011 to 30 June 2012 is estimated at \$26,085,200 (gross), which represents an increase of \$1,073,600 (gross), or 4.3 per cent, over the prior year's approved budget of \$25,011,600 (gross). The increase comes despite the fact that there was a decrease in the overall staffing requirements by four posts. The post-related costs increased by 3.1 per cent, from \$14,561,000 to \$15,000,600, and the non-post costs increased by 6.1 per cent, from \$10,450,600 to \$11,084,600. The increase in costs is associated with higher staff costs in peacekeeping missions resulting from the adoption by the General Assembly in December 2010 of resolution 65/247 on human resources management. The non-post cost increases are associated primarily with general temporary assistance and travel. Importantly, according to the preliminary figures, the Committee notes that OIOS did not use approximately 8 per cent of its approved fiscal 2009/10 support account budget and had used only 42 per cent of its fiscal 2010/11 budget during the first six months of the current fiscal year.

5. The proposed financial resources for OIOS for 2011/12 as compared with 2010/11 are provided in table 1.

Table 1
Financial resources

	Approved 2010/11	Proposed 2011/12	Variance	
			(United States dollars)	(Percentage)
Internal Audit Division	14 821.6	15 167.5	345.9	2
Inspection and Evaluation Division	765.0	1 011.1	246.1	32
Investigations Division	8 846.3	9 384.3	538.0	6
Executive Office	578.7	522.3	(56.4)	(10)
Total	25 011.6	26 085.2	1 073.6	4.3

Source: Office of Programme Planning, Budget and Accounts, Peacekeeping Financing Division.

6. The Committee recognizes that the consideration of the OIOS budget proposals with regard to the specific grade level of OIOS posts and requests for non-post resources is more appropriately within the remit of the Advisory Committee on Administrative and Budgetary Questions. The review, comments and advice of the Independent Audit Advisory Committee will therefore focus on the scope of its own terms of reference with respect to the work-planning and budgeting process of OIOS. In accordance with its terms of reference, the Committee will submit the present report to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions. Arrangements will be made to interact with the Advisory Committee in March 2011 to discuss the contents of the report.

III. Comments of the Independent Audit Advisory Committee

A. Internal Audit Division

7. In the reports issued since its inception, the Committee has made a number of recommendations relating to the Internal Audit Division's work-planning and budgeting process. The recommendations have included the following:

(a) OIOS risk assessments for the purposes of work planning and budgeting should take into consideration the controls that management has put in place to mitigate risks in order not to overestimate the number of high-risk areas;

(b) The work-planning process should include consultation with management before and after the preparation of the OIOS workplan;

(c) OIOS should coordinate its workplans with the Board of Auditors and the Joint Inspection Unit before finalizing them to avoid duplication and to minimize the impact on management and staff in the Organization;

(d) OIOS should move from preparing its budget on an incremental basis to using its risk assessment framework to determine the level of resources that will be required to address the risks identified in the Organization;

(e) The Internal Audit Division should undertake a thorough review of its planning assumptions and estimates and recalculate its requirements, addressing the

issues identified by the Committee, before making proposals for additional posts in existing locations.

8. Furthermore, the Committee has always challenged OIOS to lead by example, especially with regard to the economical utilization of resources. This is particularly appropriate given the nature of OIOS and given that in view of the current global economic situation there may be constraints on the resources available for the Organization's substantive programmes.

9. The Internal Audit Division is the largest of the three divisions of OIOS and represents close to 58 per cent of the OIOS budget under the support account. A substantial portion of the Committee's deliberations and discussions was therefore devoted to the Division's workplan and budget.

10. OIOS has demonstrated progress in the implementation of the recommendations made by the Committee. The most significant change in the audit work-planning process for 2011/12 appears to be the Division's review of its planning assumptions and estimates of requirements and the consultations with management at the beginning and end of the planning process, as recommended by the Committee. OIOS has also implemented the Committee's recommendation to hold an annual work-planning meeting with the Board of Auditors and the Joint Inspection Unit in addition to the regular coordination and cooperation efforts.

11. Also in accordance with the Committee's recommendation, OIOS continues to use a risk-based workplan for the allocation of its budgetary resources. The Committee was informed that on the basis of a risk assessment, OIOS deemed it necessary to reduce the audit requirements in the United Nations Interim Administration Mission in Kosovo (UNMIK), the United Nations Mission in the Central African Republic and Chad (MINURCAT) and the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO), and at the same time to request the redeployment of three posts to the Regional Service Centre in Entebbe, Uganda, to focus on key controls related to the management of service centres.

12. The Committee was also informed that in preparing the present budget, the Division sought written input from management on areas of concern or high risk and suggestions for audit coverage. OIOS reported to the Committee that in selecting assignments for 2011/12 and beyond, the Division gave priority to:

(a) Use of the top risks model to assess, for each entity, the causes of risk exposure and the controls required to address them;

(b) The recent oversight activities that are relevant to the causes of risk and key risk controls and the identification of audit assignments to address any residual risk.

13. OIOS discussed the draft audit workplan with each programme manager and then provided the managers with the final version. The Committee was informed that the Division planned to undertake 151 audit assignments related to peacekeeping in the budget period (including 31 carried over from the previous period), compared with 135 during the previous period. OIOS has indicated that it will continue to consult with management during the period and, if required, will revise the workplan on the basis of emerging risks and priorities.

14. With respect to the planning assumptions and estimates for the determination of available days per auditor, the Committee noted a significant improvement based on one of its prior recommendations. Specifically, the number of available audit staff-days was increased for staff at all levels, especially for staff at the P-5 level with audit teams comprising more than five staff.

15. The OIOS audit workplan listed the planned assignments in order of priority and included an estimate of the days that would be required to complete each audit. OIOS also calculated the number of days available per year by category of staff (see table 2).

Table 2
Number of staff-days available annually (out of 260 workdays)

<i>Category</i>	<i>Regular duty stations</i>	<i>Peacekeeping missions</i>
P-5 with more than five staff	130	100
P-5 with five or fewer staff	140	120
Other Professionals and audit assistants	190	150

16. In summary, at each peacekeeping mission, auditors at the P-3 and P-4 levels and audit assistants are allocated to audits on the basis of 150 days per year; auditors at the P-5 level with audit teams comprising fewer than five staff were allocated at 120 days per year, and auditors at the P-5 level in missions where the audit team comprised more than five staff are allocated on the basis of 100 days per year. Using the current OIOS staffing table for the Internal Audit Division and the days available per staff member, OIOS calculates the total number of days available at each location.

17. The variance between the estimate by OIOS of the number of days required to undertake the planned audits and the total days available is presented by OIOS as the gap in capacity. On that basis, the Division, having sufficient capacity to execute the proposed workplan, decided to abolish four posts and to redeploy one post out of the Division (see table 3).

Table 3
Post reductions and redeployments requested by the Office of Internal Oversight Services in the current budget

<i>Location</i>	<i>Total</i>	<i>Grade</i>				<i>National General Service</i>
		<i>P-5</i>	<i>P-4</i>	<i>P-3</i>	<i>Field Service</i>	
MINURCAT	(4)	(1)	(1)	(1)	(1)	
UNMIK	(3)	(1)	(1)	—	—	(1)
MONUSCO	(1)				(1)	
Entebbe Regional Service Centre	3	1	1		1	
Inspection and Evaluation Division	1	1				
Total	(4)	—	(1)	(1)	(1)	(1)

18. In its report on the budget of OIOS under the support account for 2010/11 (A/64/652), the Committee acknowledged the efforts of OIOS to comply with the Institute of Internal Auditors' practice advisory on using the risk management process in internal audit planning and to modify its risk assessment framework to assess residual risk. Upon inspection of the audit workplan, the Committee noted that the planned audit assignments were based, to the extent possible, on an analysis of the inherent risk and the key controls needed to mitigate such risk. OIOS did not seem to articulate the residual risk that would form the basis of the audit assignments, but rather used its assessment of key controls as the basis. In its earlier submissions, OIOS acknowledged that a number of audits still needed to be undertaken before any adjustment could be made to the inherent risk and that a systematic assessment of residual risk could be based only on detailed audits conducted over a period of time. The Independent Audit Advisory Committee looks forward to a systematic assessment of residual risk in order to better assess the overall level of resources allocated to OIOS and to enhance the determination of audits within the available level of resources. The Committee is nevertheless pleased to note that OIOS has embarked on auditing the key controls that are in place so as to facilitate the identification of the residual risk.

19. With respect to risk categorization, the Committee is concerned that the new OIOS risk categories (using the top risks model), which is different from management's proposed approach to risk categorization, could create confusion. **The Committee therefore recommends that OIOS and management coordinate the risk categorization process so as to align the OIOS risk-based audit-planning process with the enterprise risk management framework that the administration has embarked on in order to avoid confusion among key stakeholders.**

20. Acknowledging the fact that OIOS has taken into account most of the Committee's recommendations on the planning process for the preparation of its annual work programme contained in its previous report (A/64/652), the Committee sees merit in recommending the budget proposal for the Internal Audit Division as proposed, which includes:

(a) The net reduction of five posts (the abolition of 4 and the redeployment of 1 to the Inspection and Evaluation Division) owing to the closure or downsizing of missions;

(b) The redeployment of three posts from MINURCAT, UNMIK and MONUSCO to the Regional Service Centre at Entebbe.

B. Inspection and Evaluation Division

21. The Inspection and Evaluation Division of OIOS presented its workplan for 2011/12 relating to peacekeeping operations to the Committee. The Division plans to focus on a meta-evaluation of peacekeeping activities, using information from available peacekeeping evaluations by OIOS and other actors, to generate systemic lessons for improving peacekeeping operations and to identify critical topics for future evaluation.

22. The Committee noted that the authorized staffing of the Division included two posts to conduct evaluations of peacekeeping programmes. The Division estimates that it would require one additional post to accomplish its plan.

23. The Committee reiterates its advice provided in respect of the prior budget of the Inspection and Evaluation Division that the in-depth nature of evaluations conducted by OIOS adds value to the Organization's peacekeeping programme.

24. **On the basis of the workplan proposed by the Division, the Committee recommends the redeployment of one P-5 post from the Internal Audit Division to the inspection and evaluation function to enable it to deliver the inspections and evaluations planned for the 2011/12 budget period.**

C. Investigations Division

25. The Committee notes the decision of the General Assembly in its resolution 63/287 to designate, as a pilot project, centres of investigation in Nairobi, Vienna and New York from 1 July 2009 to 30 June 2012 and its request that the Secretary-General and the Board of Auditors report on various aspects of the implementation of the project. Where relevant, the Committee will provide its comments and advice to the Assembly following the issuance of the pending reports.

26. With regard to the current operations of the Investigations Division, the Committee noted that as at 30 November 2010, the Division's vacancy rate for posts funded from the support account had improved from 44 per cent in the previous period to 33.3 per cent. OIOS provided supplementary information in this respect indicating that recruitment was in progress for 16 of the 18 vacant posts. In its previous report, the Committee reported a concern that OIOS had regarding disparities in the allocation of the support account posts vis-à-vis the distribution of the Division's caseload. Consequently, the Committee has noted two posts (D-1 and P-5) which, according to OIOS, the current operational requirements did not warrant filling. The Committee continues to be confident that the review of this area by the Board of Auditors, as requested by the Advisory Committee on Administrative and Budgetary Questions, will provide valuable information in this regard.

27. In its submission for the 2010/11 support account budget, the Investigations Division requested an additional General Service position to assist with preparation of investigation reports at Headquarters as part of the Division's Professional Practices Section. On the basis of additional information presented by the Division, the Committee subsequently recommended that the Advisory Committee on Administrative and Budgetary Questions give consideration to the request of OIOS.

28. **In view of paragraphs 37 and 38 of General Assembly resolution 63/287 regarding the restructuring of the Investigations Division, the pending reports requested by the Assembly in paragraphs 39 to 41 of the same resolution and the status of vacancies in the Division, the Committee continues to support the request to establish a general temporary assistance position in the Investigations Division in the current budget.**

IV. Conclusion

29. The members of the Independent Audit Advisory Committee respectfully present the present report containing its comments and recommendations for consideration by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly.

(Signed) David M. Walker
Chair, Independent Audit Advisory Committee

(Signed) John F. S. Muwanga
Vice-Chair, Independent Audit Advisory Committee

(Signed) Vadim V. Dubinkin
Member, Independent Audit Advisory Committee

(Signed) Vinod Rai
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(Signed) Adrian P. Strachan
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